



Actuarial Office
P.O. Box 942709
Sacramento, CA 95812-1494
TTY for Speech and Hearing Impaired - (916) 795-3240
(888) CalPERS (or 888-225-7377) FAX (916) 795-3005

December 14, 2010

AGENDA ITEM 5a

TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

- I. SUBJECT:** State Employer Contribution Rates
- II. PROGRAM:** Retirement
- III. RECOMMENDATION:**

That the Board approve the adoption of the following new employer contribution rates for the State plans effective January 1, 2011.

State Plan	Employer Contribution Rate for Pay Periods Between January 1, 2011 and June 30, 2011
State Miscellaneous Tier 1	17.528%
State Miscellaneous Tier 2	16.442%
State Industrial	14.683%
State Safety	15.702%
State Peace Officers & Firefighters	28.556%
California Highway Patrol	29.956%

IV. ANALYSIS:

At its August meeting, the CalPERS Board approved a policy that authorizes changes in retirement benefits and member contribution rates to be reflected in the employer contribution rates for the State plans immediately upon the effective date of the changes or as soon thereafter as can be accomplished given the Board's meeting schedule.

On August 23, 2010, California Governor Arnold Schwarzenegger signed Senate Bill 846 and Assembly Bill 1592 to ratify contract agreements with six state employee unions that include lower retirement benefits for new hires and higher member contributions for all employees.

In October 2010, an agreement was reached between the State and SEIU that included lower retirement benefits for new hires and higher member contributions for all employees. This agreement was ratified by SEIU membership in early November 2010. As a result, the higher member contribution rates are to be in effect November 1, 2010.

Please refer to Attachment 1 for a table comparing the existing member contribution rates and the newly approved member contribution rates for all Bargaining Units that have ratified agreements.

CalPERS staff obtained information from the Department of Personnel Administration (DPA) on the size of each group affected by the increases in member contribution rate. Attachment 1 contains a table providing percentages of the active population affected by the increase in member contribution rates.

In accordance with the Board policy approved last August, these new employer contribution rates will be effective January 1, 2011. Please see Attachment 2 for a table comparing the employer contribution rates currently in effect for pay periods between July 1, 2010 and December 31, 2010 to the new employer contribution rates that will apply for pay periods between January 1, 2011 and June 30, 2011 based on the agreements currently in place.

It is important to note that the reduction in employer rates shown in Attachment 2 would be smaller if applied to a full fiscal year since these rates have been adjusted to reflect the impact of taking eight or nine months of member contribution savings and placing them over the final six months of the fiscal year.

Note that there are still some labor groups that have yet to reach an agreement with the State. To the extent agreements are reached over the next few months staff intends to come to the Board as needed.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial & Employer Services Branch.

DAVID LAMOUREUX
Deputy Chief Actuary

ALAN MILLIGAN
Chief Actuary

Attachments